

REGULAR BOARD OF TRUSTEES MEETING MINUTES

Tuesday, January 10, 2006

Don Bennett called the meeting to order at 10:00 a.m. Other Board members present included Karen Davis, Chuck Schalliol, Tim Walsh, and Cari Whicker.

TRF staff present included Cristy Wheeler, Crystal Lawson, Bob Newland, Tom Abbett, Phil Barnes, Tom Davidson, Amy Maynard, Steffanie Rhinesmith, Dave Yeater and Shelley Horner. Also in attendance were Tony Armstrong of the Budget Agency, Mary Beth Braitman of Ice Miller and Steve Moberly of IRTA.

The Agenda was presented.

Tim Walsh moved to approve the agenda. Karen Davis seconded the motion. The motion carried.

The minutes of the November 29, 2005 meeting were presented.

Karen Davis moved to approve the minutes. Tony Armstrong seconded the motion. The motion carried.

Don Bennett clarified that Tony Armstrong can vote and act as proxy for Chuck Schalliol when Mr. Schalliol is not present. The minutes should reflect Chuck's arrival so that it is clear when Tony can and is acting as proxy.

Shelley Horner presented retiree payments for the month of January 2006.

Tim Walsh moved to accept the payments. Cari Whicker seconded the motion. The motion carried.

Tom Abbett presented the expenditures for the month of November 2005.

Chuck Schalliol arrived at 10:10 a.m.

Cristy Wheeler discussed the Director's report. Cristy updated the Board on the COLA assumption for the Fund valuation. Gabriel Roeder Smith and Company (GRS) recommended a 1.5% COLA assumption for the valuation. TRF instructed GRS to run valuations using three different COLA assumptions (.5%, 1.5%, and 2.0%). The Board discussed the results of the three COLA rates and reviewed the handout concerning the required transfer of funds from the Pension Stabilization Fund (PSF) to the post-1996 plan in order to fund the transferred members. The Board discussed adopting the full 1.5% COLA assumption in 1 year and its impact on the school corporations' contribution rates, or phasing in the COLA assumption over a period of time. OMB and staff recommends a phase-in of the recommended COLA assumption with the COLA assumption for this year at .5%.

Chuck Schalliol moved to accept the recommendation of .5% for this year's assumption and revisit next year. Cari Whicker seconded the motion. The motion carried.

Cristy Wheeler and Tom Davidson updated the Board on the Anthem renewal of the Medicare Part D wrap plan that was introduced effective January 1, 2006. Currently, the new wrap plan costs members in the lowest age classification approximately \$29 plus an approximate \$22 cost if they chose an Anthem Basic Medicare D plan for a total approximate cost of \$51 a month. Anthem has now advised ISTRF that it made an actuarial miscalculation and the new wrap plan cost should have been approximately \$170 per month. This pricing makes the ISTRF Rx wrap plan no longer a viable option as members can purchase enhanced Medicare D plans with similar coverage for significant less cost due to the larger regional pool used for pricing Medicare D plans. Therefore, Anthem will no longer be offering the TRF wrap plan after the May open enrollment. Anthem has agreed that there will be no impact to our reserve fund due to the losses they expect due to their erroneous pricing. Anthem will also be setting up a hotline and paying for seminars and all communications to members

on this subject. The staff recommends the Board approve the amendment of the Anthem contract to allow for the wrap plan from January 1 through April 30, 2006.

Chuck Schalliol moved to approve the Anthem wrap plan to cover the period of January 1 through April 30, 2006. Tim Walsh seconded the motion. The motion carried.

Cristy Wheeler discussed the Board's appointment of a person to the IPSI rotating seat. At the last meeting, Cristy recommended appointing Shelley Horner to the IPSI rotating seat; however, she has since been advised that PERF and TRF had agreed to allow Karl Browning, the head of IOT for the State of Indiana, to remain on the IPSI board. Cristy agrees and recommends to the Board to change the IPSI rotating seat from Shelley Horner to Karl Browning. Karl would be a great asset to the IPSI Board due to his extensive IT background and his position as the head of IOT for Indiana.

Tim Walsh moved that Karl Browning occupy the IPSI rotating seat. Karen Davis seconded the motion. The motion carried.

Cristy Wheeler updated the Board on the State Board of Accounts' (SBOA) findings. There were no substantive findings. There was 1 non-substantive finding involving a required salary report that the Fund was not aware of and had to file because it does not use State payroll. This information has been sent and we have nothing outstanding. Cristy and the Board congratulated staff on this great audit result.

Cristy Wheeler spoke of the article written about TRF in the Indianapolis Business Journal (IBJ) two days before the meeting. The only concern expressed about the article is that it did not separate out the portion of our assets that apply only to the defined benefit plan, creating the impression that the entire \$7 billion of assets (that include the member's annuity savings accounts) are associated with the over \$8 billion unfunded liability. The Board asked to be sent relevant Fund information like pending legislation and articles between meetings so that they can answer questions that might be asked.

Bob Newland updated the Board on the RFP updates. The consultant RFP resulted in 14 inquiries and 9 submitted responses. The staff will be interviewing the finalists and will be prepared to discuss the finalists as well as make a recommendation at the January 31st Board meeting. The large cap value manager RFP resulted in 66 inquiries. Callan's search committee will narrow this pool of candidates down to 6 and review those with our staff. The staff will interview 3 candidates and make a recommendation at the February Board meeting. Tony Armstrong and TRF investment staff will participate in both processes.

Bob Newland discussed the need for a record keeper for TRF's annuity savings plan. A record keeper would be able to track investments in a more efficient manner than we can do because SIRIS is not a defined contribution technology package. Also, a record keeper can offer more frequent investment change and valuation capabilities. Bob noted PERF is searching for a record keeper and we would like to participate in that process. After further evaluation of options, we will report back to the Board.

Bob Newland discussed the Investment Policy Statement. He proposes the Board review this Statement in sections. He suggests the Board review pages 1-12 and discuss at the January 31st Board meeting. The Board agrees, asking for an email reminder of this assignment before the next meeting.

The next item discussed by Bob Newland was a review of the Guaranteed Fund rate setting process. Currently our rate is 6%, and we will be due to set the new rate in March or April 2006. In the past, there has been a formula for establishing the Guaranteed Rate based on a 5-year average. Two-thirds of our members put their allocations into the Guaranteed Fund. Bob will educate the Board on this process and his recommendation for a change in the rate setting process so they are prepared to set the rate in the spring.

The next meeting was scheduled for January 31, 2006 at 10:00 a.m.

The February meeting was tentatively scheduled for February 28, 2006 at 10:00 a.m.

Chuck Schalliol moved to adjourn this meeting. Tim Walsh seconded the motion. The motion carried.

There being no additional business, the meeting adjourned at 11:30 a.m.